

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF GAS COST ADJUSTMENT)	
FILING OF JOHNSON COUNTY GAS)	CASE NO. 10415-AA
COMPANY, INC.)	

O R D E R

On April 24, 1991, in Case No. 91-004, the Commission approved adjustments to the rates of Johnson County Gas Company, Inc. ("Johnson County") on a quarterly basis in accordance with the Gas Cost Adjustment ("GCA") Clause set forth in the Order.

On August 28, 1996, Johnson County filed its GCA to become effective from October 1, 1996 to January 1, 1997.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Johnson County's notice of August 28, 1996 proposed rates designed to pass on its decreased wholesale gas costs to its customers. Johnson County's proposed expected gas cost ("EGC") is \$3.7890 per Mcf.

Johnson County's notice included a sheet provided by its supplier, Alliance Energy Services ("Alliance"), showing estimated citygate prices for natural gas for the months of October, November, and December 1996. Johnson County followed its usual practice of using a simple average of the three months' price projections as its expected cost of gas from Alliance. Alliance, however, had included as part of the information on that sheet a

citygate weighted average cost of gas based on Johnson County's historical usage for each of the three months. The methodology used by Alliance is reasonable because it gives more weight to prices expected for months with historically higher usage. Alliance's citygate weighted average cost of gas of \$2.9143 per Dth should be used in place of Johnson County's proposed \$2.7675. Johnson County's EGC should be \$3.9263.

2. Johnson County's notice set out no refund adjustment. The total refund adjustment of 1.9 cents per Mcf is a previous quarter adjustment.

3. Johnson County's notice set out a current quarter actual adjustment ("AA") of (8.4) cents per Mcf to return over-recovered gas cost from April, May, and June 1996. The proposed total AA of 88.1 cents per Mcf reflects the current over-recovery as well as under- and over-recoveries from previous quarters.

4. Johnson County's notice set out a current quarter balance adjustment ("BA") of (1.7) cents per Mcf. Johnson County's total BA of (2.25) cents per Mcf reflects the current and three previous quarters' BAs.

5. These adjustments produce a gas cost recovery rate of \$4.7658 per Mcf, 21.87 cents per Mcf less than the prior rate.

6. The corrected rate adjustment in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved for service rendered on and after October 1, 1996.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Johnson County are hereby denied.

2. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for service rendered on and after October 1, 1996.

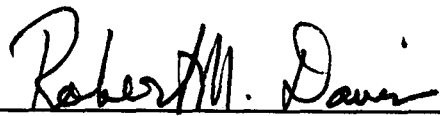
3. Within 30 days of the date of this Order, Johnson County shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 27th day of September, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 10415-AA DATED SEPTEMBER 27, 1996

The following rates and charges are prescribed for the customers served by Johnson County Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Customer Charge			\$3.00
All Mcf	\$2.9871	\$4.7658	\$7.7529

A surcharge of \$.4155 per Mcf will be added to the above rates until the obligation owed to Kentucky West Virginia Gas Company has been discharged, or is recalculated.